

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

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JL BEVERAGE COMPANY, LLC,
Plaintiff and Counter-Defendant,
v.
BEAM, INC., et al.,
Defendants and Counter-Plaintiffs.

Case No. 2:11-cv-00417-MMD-CWH

ORDER

(Defs' Motion for Attorneys' Fees
– dkt. no. 130;
Defs' Motion for Leave to File Under Seal
– dkt. no. 132)

I. SUMMARY

Before the Court are Defendants' Motion for Attorneys' Fees and Related Non-Taxable Costs ("Motion") (dkt. no. 130) and Motion for Leave to File Under Seal ("Motion to Seal") (dkt. no. 132). For the reasons stated below, the Motion is denied and the Motion to Seal is granted.

II. BACKGROUND

The facts giving rise to this action have been described at great length in this Court's Order regarding Plaintiff's Motion for Preliminary Injunction ("Order"). (Dkt. no. 98.) Plaintiff filed its initial Complaint on March 18, 2011, and amended its Complaint on December 5, 2011. (Dkt. nos. 1, 30.) The First Amended Complaint alleges trademark infringement, false designation of origin, common law trademark infringement, and unfair competition. (Dkt. no. 30.) Defendants counterclaimed and moved to cancel registration of Plaintiff's JL Lips Mark. (Dkt. no. 32 at 19-20.)

1 On February 23, 2012, about a year after initiating this case, Plaintiff moved for
2 preliminary injunction.¹ (Dkt. no. 36.) The Court denied preliminary injunctive relief,
3 finding that Plaintiff was unlikely to succeed on the merits of its claims. (Dkt. no. 98.)
4 The parties' dispute centered on the second element of Plaintiff's trademark infringement
5 claim — "that the alleged infringer is using a confusingly similar mark." See *Grocery*
6 *Outlet, Inc. v. Albertson's, Inc.*, 497 F.3d 949, 951 (9th Cir. 2007). Thus, to resolve this
7 dispute and determine whether Defendants' mark will likely cause confusion in the
8 marketplace, the Court applied the eight factor test adopted by the Ninth Circuit in *AMF*
9 *Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 & n.11 (9th Cir. 1979), *abrogated in part*
10 *on other grounds by Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792, 810
11 (9th Cir. 2003). Of the eight (8) *Sleekcraft* factors, the Court found that factors 1 and 3
12 strongly favor Defendants, factors 2, 5 and 6 favor Plaintiff and factors 4, 7 and 8 favor
13 neither party. (Dkt. no. 98.) The Court concluded that after balancing these factors and
14 examining them in light of the facts of this case, factor 3 (the similarity of the parties'
15 marks) is the most important factor. (*Id.* at 24.) The Court thus concluded that Plaintiff
16 was unlikely to succeed on the merits of its infringement claims.

17 The parties subsequently filed cross-motions for summary judgment on Plaintiff's
18 claims. (Dkt. nos. 71, 77.) The parties presented substantially the same facts and
19 arguments in support of and against those motions as they did in their Preliminary
20 Injunction briefings. The Court granted Defendants' motion for summary judgment, and
21 entered judgment in favor of Defendants on all of Plaintiff's claims. (Dkt. no. 107 at 9.)
22 The Court subsequently granted Defendants' motion to dismiss its remaining
23 counterclaims without prejudice. (Dkt. no. 123.)

24 Defendants now request attorneys' fees and non-taxable costs.

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27 ¹In its opposition to Defendants' Motion, Plaintiff contends that this delay showed
28 diligence since it waited until after the USPTO rejected Defendants' registration
application and its JL Lips Mark was successfully registered with the USPTO in October
2011. (Dkt. no. 139 at 26.)

1 **III. MOTION FOR ATTORNEYS' FEES**

2 Defendants seek recovery of attorneys' fees under the Lanham Act on two
 3 grounds: (1) Plaintiff's case was "groundless" and "unreasonable" at inception; and (2)
 4 Plaintiff unreasonably and vexatiously multiplied proceedings in this case. Based on that
 5 second ground, Defendants also seek an award of attorneys' fees under 28 U.S.C. §
 6 1927. The Court will address each ground in turn below.

7 As Defendants' acknowledged, the Lanham Act allows courts to award
 8 reasonable attorneys' fees to the prevailing party in "exceptional cases." 15 U.S.C. §
 9 1117(a). The Ninth Circuit has found that this requirement is satisfied when "the case is
 10 either groundless, unreasonable, vexatious, or pursued in bad faith. *Cairns v. Franklin*
 11 *Mint Co.*, 292 F.3d 1139, 1156 (9th Cir. 2002) (internal quotation marks and citation
 12 omitted).

13 Defendants contend that Plaintiff's case was groundless because Plaintiff should
 14 have known it would not be able to support its claim of likelihood of confusion. In
 15 particular, Defendants point to *Sleekcraft* factors 1, 3 and 4 and argue that (1) the
 16 parties' marks are "dramatically different;" (2) Plaintiff's marks are weak; and (3) Plaintiff
 17 failed to offer reliable evidence of actual confusion. (Dkt. no. 130 at 6.) The Court
 18 disagrees. As the Court noted in denying Plaintiff's Motion for Preliminary Injunction,
 19 "[t]his is not a case where the [*Sleekcraft*] factors overwhelmingly favor either party.
 20 (Dkt. no. 98 at 24.) The Court also found that factor 4 does not favor either party.² (Dkt.
 21 no. 98 at 17-19.) This case does not fall within the category of exceptional cases for
 22 which attorneys' fees should be awarded to the prevailing party.

23 Defendants' second ground for seeking attorneys' fees is based on the conduct of
 24 Plaintiff and Plaintiff's counsel after the case was filed. Defendants contend that
 25 imposition of attorneys' fees is appropriate under 15 U.S.C. § 1117(a), as well as under

26
 27 ²As the Court explained in the Order, there were a number of potential problems
 28 with the reliability and admissibility of the evidence Plaintiff offered in support of
 confusion. (Dkt. no. 98 at 17-19.) The Court also noted that this deficiency may be cured
 through evidence obtained in discovery. (*Id.*)

1 the Court's inherent authority pursuant to 28 U.S.C. § 1927. Section 1927 provides that
2 "[a]ny attorney . . . who so multiplies proceedings in any case unreasonably and
3 vexatiously may be required by the court to satisfy personally the excess costs,
4 expenses, and attorneys' fees reasonably incurred because of such conduct." 28 U.S.C.
5 § 1927. The parties disagree as to whether § 1927 imposes a higher standard than §
6 1117(a) by requiring a showing of "subjective bad faith." (Dkt. no. 139 at 18-19.) The
7 Court need not resolve this disagreement as it finds that Defendants have failed to show
8 that Plaintiff's conduct in this case unreasonably multiplied proceedings.

9 To demonstrate that Plaintiff and its counsel acted unreasonably after the case
10 was filed, Defendants recount the discovery propounded by Plaintiff, Plaintiff's discovery
11 responses and position with respect to documents designated by Defendants as
12 confidential and for Attorneys' Eyes Only ("AEO"), Plaintiff's settlement positions,
13 Plaintiff's motion practice, including Plaintiff's filing of its motion for reconsideration of the
14 Court's order on the parties' motions for summary judgment, and Plaintiff's position with
15 respect to dismissal of Defendants' counterclaims. The proceedings in this case were no
16 doubt contentious, but the Court does not find that Plaintiff or its counsel's conduct to be
17 unreasonable or vexatious. While the parties had to seek court intervention to resolve
18 their discovery disputes, this is not uncommon and the Magistrate Judge did not entirely
19 rule in favor of Defendants on all issues raised and did not impose any sanctions for any
20 purported discovery abuses by Plaintiff. Discovery disputes and posturing during
21 settlement discussions are unfortunately inherent conflicts in any litigation. Plaintiff's
22 conduct, even as presented by Defendants, did not unreasonably multiply proceedings
23 in this case so as to support imposition of attorneys' fees.

24 **IV. MOTION TO SEAL**

25 Defendants request to file under seal redacted portions of Defendants' Motion
26 and certain exhibits to protect against disclosure of attorney-client privilege and attorney
27 work-product information and information designated as confidential in this case. (Dkt.

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1 no. 132.) Plaintiff has not filed an opposition. Defendants' Motion to Seal is supported by
2 good cause and will be granted.

3 **V. CONCLUSION**

4 The Court notes that the parties made several arguments and cited to several
5 cases not discussed above. The Court has reviewed these arguments and cases and
6 determines that they do not warrant discussion or reconsideration as they do not affect
7 the outcome of the pending motions.

8 It is ordered that Defendant's Motion for Attorneys' Fees and Related Non-
9 Taxable Costs (dkt. no. 130) is denied.

10 It is further ordered that Defendants' Motion for Leave to File Under Seal (dkt. no.
11 132) is granted.

12 DATED THIS 7th day of October 2014.



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14 MIRANDA M. DU
15 UNITED STATES DISTRICT JUDGE
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